

Message Text

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16

ACTION EB-11

INFO OCT-01 NEA-10 ISO-00 EUR-25 SPC-03 SAM-01 AID-20

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01

CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

IO-14 FEA-02 IGA-02 DRC-01 ARA-16 EA-11 AF-10 SCI-06

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R 270905Z FEB 74

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 5565

C O N F I D E N T I A L TEHRAN 1604

DEPT PLEASE PASS OPEC AND OECD CAPITALS AT DISCRETION

E.O. 11652: GDS

TAGS: EAID, EFIN, IR

SUBJ: IRANIAN ASSISTANCE TO LDC'S THROUGH IMF/IBRD

REF: TEHRAN 1450

1. EMBASSY EFFORTS TO FIND OUT MORE ABOUT IRANIAN PLANS FOR EXTENDING ASSISTANCE TO OTHER DEVELOPING COUNTRIES, WHICH WERE ANNOUNCED AT END OF IMF MANAGING DIRECTOR WITEVEEN AND WORLD BANK PRESIDENT MCNAMARA'S RECENT VISITS, THUS FAR HAVE LED TO GENERAL IMPRESSION THAT MOST DETAILS REMAIN TO BE WORKED OUT. GOI SEEMS TO BE GENUINELY COMMITTED TO MAKING \$1 BILLION FROM INCREASED OIL REVENUE EARNINGS AVAILABLE, BUT MECHANISMS TO BE USED DEPEND TO GREAT DEGREE ON RESPONSE FROM OTHER COUNTRIES AND IMF/IBRD RECOMMENDATIONS.

2. PROPOSED DEVELOPMENT BANK OR FUND, TO WHICH GOI HAS EXPRESSED WILLINGNESS TO MAKE INITIAL ALLOCATION OF \$150 MILLION, IS NOT
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EXPECTED TO BE ESTABLISHED IN IMMEDIATE FUTURE BECAUSE OF OBVIOUS

LIKELIHOOD NEGOTIATING PARTICIPATION OF 23 OTHER OIL PRODUCING AND INDUSTRIALIZED COUNTRIES WILL TAKE CONSIDERABLE AMOUNT OF TIME. ACCORDING TO CENTRAL BANK VICE GOVERNOR AHMAD KOOROS, GOI ENVISIONS DEVELOPMENT BANK/FUND AS COMPLETELY "NEUTRAL", I.E. ADMINISTERED BY IMF/IBRD AND ASSISTING OIL IMPORTING DEVELOPING COUNTRIES STRICTLY ON BASIS OF NEED.

3. MECHANICS OF IRANIAN PARTICIPATION IN NEW IMF FINANCING FACILITY PROPOSED BY WITEVEEN ALSO NOT YET DECIDED. KOOROS SAID IRAN'S IMF QUOTA MIGHT BE INCREASED OR GOI MIGHT SIMPLY MAKE SIZABLE AMOUNT OF FOREIGN EXCHANGE AVAILABLE TO FUND AT 5 TO 6 PERCENT INTEREST RATE. IMF WOULD ENABLE DEVELOPING COUNTRIES IN BALANCE OF PAYMENTS DIFFICULTY TO DRAW ON FUNDS. AMOUNT OF IRAN'S CONTRIBUTION AND HOW NEW FACILITY WILL BE ADMINISTERED DEPENDS BOTH ON IMF PROPOSALS AND SUCCESS OF WITEVEEN'S NEGOTIATIONS WITH OTHER OIL SURPLUS COUNTRIES. IMF MANAGING DIRECTOR IS EXPECTED TO PAY SECOND VISIT TO IRAN AND MAKE MORE CONCRETE PROPOSALS.

4. WORLD BANK'S SHARE OF PROPOSED \$1 BILLION ALSO STILL REMAINS TO BE DECIDED. KOOROS SAID AT LEAST AS MUCH WOULD BE INVESTED IN IBRD BONDS ANNUALLY, HOWEVER, AS TOTAL NEW BANK LENDING DURING YEAR TO IRAN. BONDS WILL EITHER BE DENOMINATED IN RIALS OR US DOLLARS. IF IN RIALS, INTEREST RATE WOULD BE AT CURRENT RATE FOR IRANIAN TREASURY BONDS (RANGING FROM 8 PERCENT FOR ONE YEAR MATURITY TO 10.5 PERCENT FOR SEVEN YEARS). IF IN DOLLARS, INTEREST RATE WOULD BE SAME AS IBRD DOLLAR BONDS MARKETED ELSEWHERE.

5. KOOROS SAID THAT IN ADDITION TO \$1 BILLION IN FOREIGN DEBTS EXPECTED BE PREPAID DURING IRANIAN YEAR 1353 (MARCH 21, 1974 - MARCH 20, 1975) ANNOUNCED BY FINANCE MINISTER AT PRESS CONFERENCE ON FEBRUARY 21, \$500-\$700 MILLION IN LOANS MADE AT EURO-DOLLAR MARKET RATES TO PRIVATE IRANIAN COMPANIES IN RECENT MONTHS ALSO WOULD BE PAID AHEAD OF SCHEDULE. HE NOTED THAT RECENT BILATERAL ARRANGEMENTS MADE WITH BRITAIN, FRANCE, AND INDIA FOR CREDITS AND/OR INVESTMENTS PROBABLY WOULD USE UP CONSIDERABLE AMOUNTS OF IRAN'S FOREIGN EXCHANGE EARNINGS DURING THE YEAR AND ADDED THAT CENTRAL BANK CURRENTLY PREDICTS ITS FOREIGN EXCHANGE HOLDINGS WILL NOT INCREASE BY MORE THAN \$2-3 BILLION DURING 1353, IN SPITE OF EXPECTED \$16 BILLION IN EXPORT EARNINGS FROM OIL.

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NOTE BY OC/T: NOT PASSED ABOVE ADDRESSEES.

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